

CASTLE DALE CITY
FINANCIAL STATEMENTS
JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Castle Dale City
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Castle Dale City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Castle Dale City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Castle Dale City as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2006, on our consideration of Castle Dale City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 40 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 12, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

CASTLE DALE CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This discussion of Castle Dale City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and parks and recreation.

Financial Highlights

- * The assets of the City exceeded its liabilities as of the close of the most recent year by \$3,659,603 (net assets). Of this amount, \$332,844 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$175,899. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the City's governmental funds reported ending fund balances of \$385,371, an increase of \$139,910 in comparison with the prior year. Approximately 55 percent of this total amount, \$212,351, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$192,320, or 36 percent of total general fund expenditures.
- * The City's total debt increased by \$337,000 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Castle Dale City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public health, highways and parks and recreation. The business-type activity of the City is the enterprise fund, containing water, sewer and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Castle Dale City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Castle Dale City maintains three governmental funds; the general fund, which is always a major fund, the municipal building authority fund and the perpetual care fund. Perpetual care fund is a nonmajor fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Castle Dale City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Castle Dale City, assets exceeded liabilities by \$3,659,603 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (86 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Castle Dale City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	459,486	255,915	178,587	161,110	638,073	417,025
Capital Assets	3,098,980	2,697,958	748,759	771,345	3,847,739	3,469,303
Total Assets	<u>3,558,466</u>	<u>2,953,873</u>	<u>927,346</u>	<u>932,455</u>	<u>4,485,812</u>	<u>3,886,328</u>
Long-Term Liabilities	694,000	357,000	-	-	694,000	357,000
Other Liabilities	74,115	10,454	58,094	35,170	132,209	45,624
Total Liabilities	<u>768,115</u>	<u>367,454</u>	<u>58,094</u>	<u>35,170</u>	<u>826,209</u>	<u>402,624</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	2,404,980	2,340,958	748,759	771,345	3,153,739	3,112,303
Restricted	173,020	114,191	-	-	173,020	114,191
Unrestricted	212,351	131,270	120,493	125,940	332,844	257,210
Total Net Assets	<u>2,790,351</u>	<u>2,586,419</u>	<u>869,252</u>	<u>897,285</u>	<u>3,659,603</u>	<u>3,483,704</u>
Total Liabilities and Net Assets	<u>3,558,466</u>	<u>2,953,873</u>	<u>927,346</u>	<u>932,455</u>	<u>4,485,812</u>	<u>3,886,328</u>

A portion of the City's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$332,844, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's net assets by \$203,932. Key elements of this decrease follows:

Castle Dale City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	72,276	58,180	248,425	238,650	320,701	296,830
Operating Grants	90,641	78,080	-	-	90,641	78,080
Capital Grants	355,000	95,690	-	-	355,000	95,690
General Revenues:						
Property Taxes	54,129	59,316	-	-	54,129	59,316
Other Taxes	402,500	348,624	-	-	402,500	348,624
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-	-
Gain on Sale of Equipment	-	20,100	-	-	-	20,100
Unrestricted Investment Earnings	23,107	7,340	-	-	23,107	7,340
Total Revenues	997,653	667,330	248,425	238,650	1,246,078	905,980
Expenses:						
General Government	217,035	146,829	276,458	252,128	493,493	398,957
Public Safety	47,838	29,103	-	-	47,838	29,103
Highways	387,441	357,593	-	-	387,441	357,593
Parks and Recreation	141,407	159,444	-	-	141,407	159,444
Total Expenses	793,721	692,969	276,458	252,128	1,070,179	945,097
Decrease in Net Assets Before Transfers	203,932	(25,639)	(28,033)	(13,478)	175,899	(39,117)
Transfers	-	-	-	-	-	-
Increase in Net Assets	203,932	(25,639)	(28,033)	(13,478)	175,899	(39,117)
Net Assets - Beginning	2,586,419	2,612,058	897,285	910,763	3,483,704	3,522,821
Net Assets - Ending	2,790,351	2,586,419	869,252	897,285	3,659,603	3,483,704

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased the City's net assets by \$28,033. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental funds reported ending fund balance of \$385,371 an increase of \$139,910 in comparison to the prior year. Approximately 55 percent of this amount, \$212,351 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to:

1) highways and public improvements, \$74,000; 2) construction \$52,672 and 3) perpetual care \$46,348.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$192,320, while total fund balance reached \$266,320. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36 percent of total general fund expenditures, while total fund balance represents 50 percent of that same amount.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$120,493. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget. Only adjustments by resolution, between expenditure categories, but the total remained the same.

Of the total general fund expenditures, \$-0- was funded out of prior year's unreserved fund balance. Actual revenues were less than budgeted revenues by \$9,558 and actual expenditures were less than budgeted expenditures by \$88,608.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2006, was \$3,098,980, (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and bridges. The total increase in the City's investment in capital assets for the current year was \$401,022. The capital asset additions during the current year included the following:

* A construction in progress on an equestrian center \$678,859 and a lawn mower for \$5,000.

Castle Dale City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	164,180	164,180	-	-	164,180	164,180
Water Shares	-	-	283,088	283,088	283,088	283,088
Infrastructure	1,645,434	1,880,495	-	-	1,645,434	1,880,495
Buildings	131,872	145,077	-	-	131,872	145,077
Improvements Other than Buildings	363,004	374,725	465,671	488,257	828,675	862,982
Equipment	115,631	133,481	-	-	115,631	133,481
Construction in Progress	678,859	-	-	-	678,859	-
Total	3,098,980	2,697,958	748,759	771,345	3,847,739	3,469,303

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had lease revenue bonds outstanding of \$694,000.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Long-Term Debt	694,000	357,000	-	-	694,000	357,000

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$5,000,000, however the City has no general obligation debt.

Additional information on the City's long-term debt can be found in the notes of the financial statements.

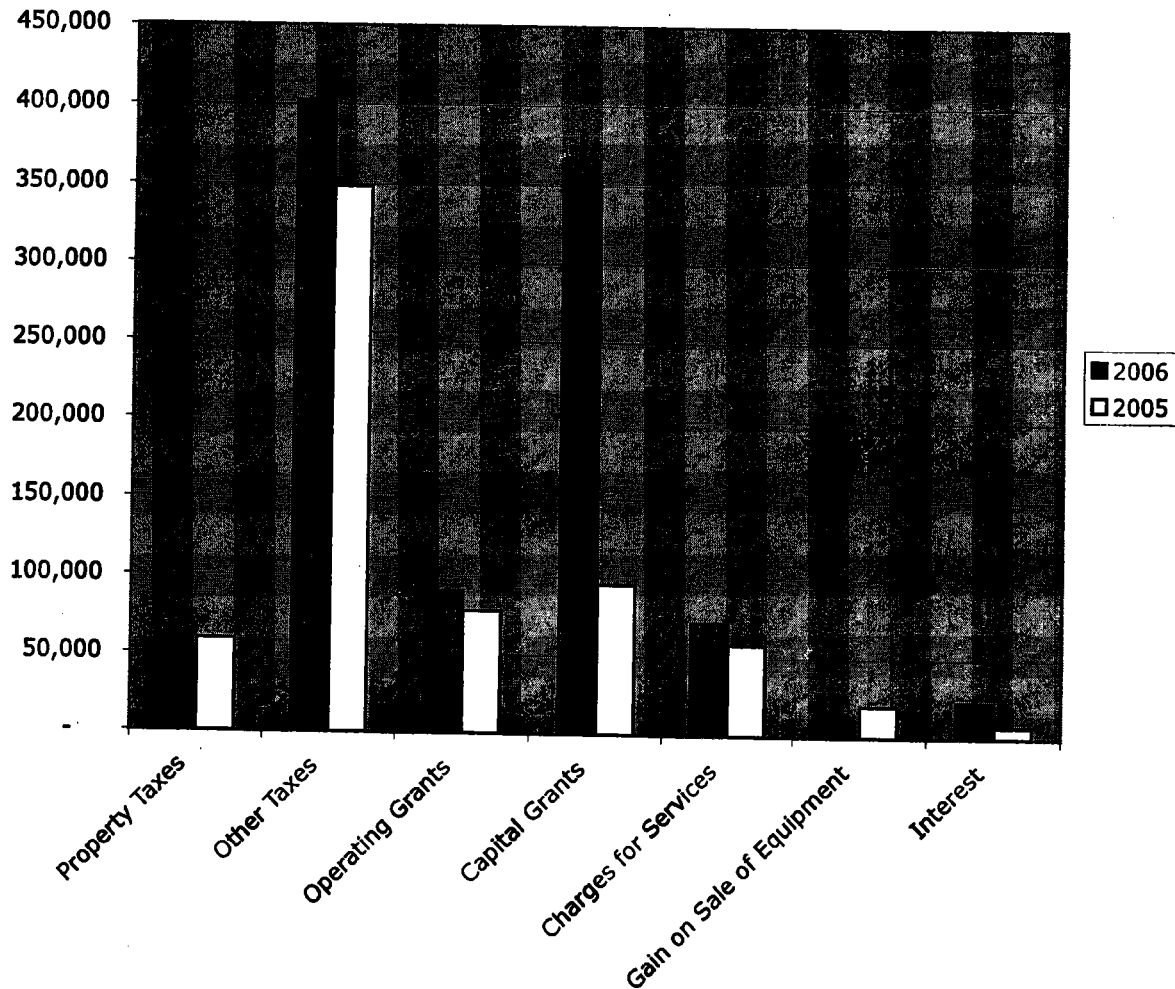
Request for Information

This financial report is designed to provide a general overview of Castle Dale City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Castle Dale City Recorder, P.O. Box 728, Castle Dale, Utah, 84513.

**Castle Dale City
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Property Taxes	54,129	59,316
Other Taxes	402,500	348,624
Operating Grants	90,641	78,080
Capital Grants	355,000	95,690
Charges for Services	72,276	58,180
Gain on Sale of Equipment		20,100
Interest	23,107	7,340
Total Revenues	997,653	667,330

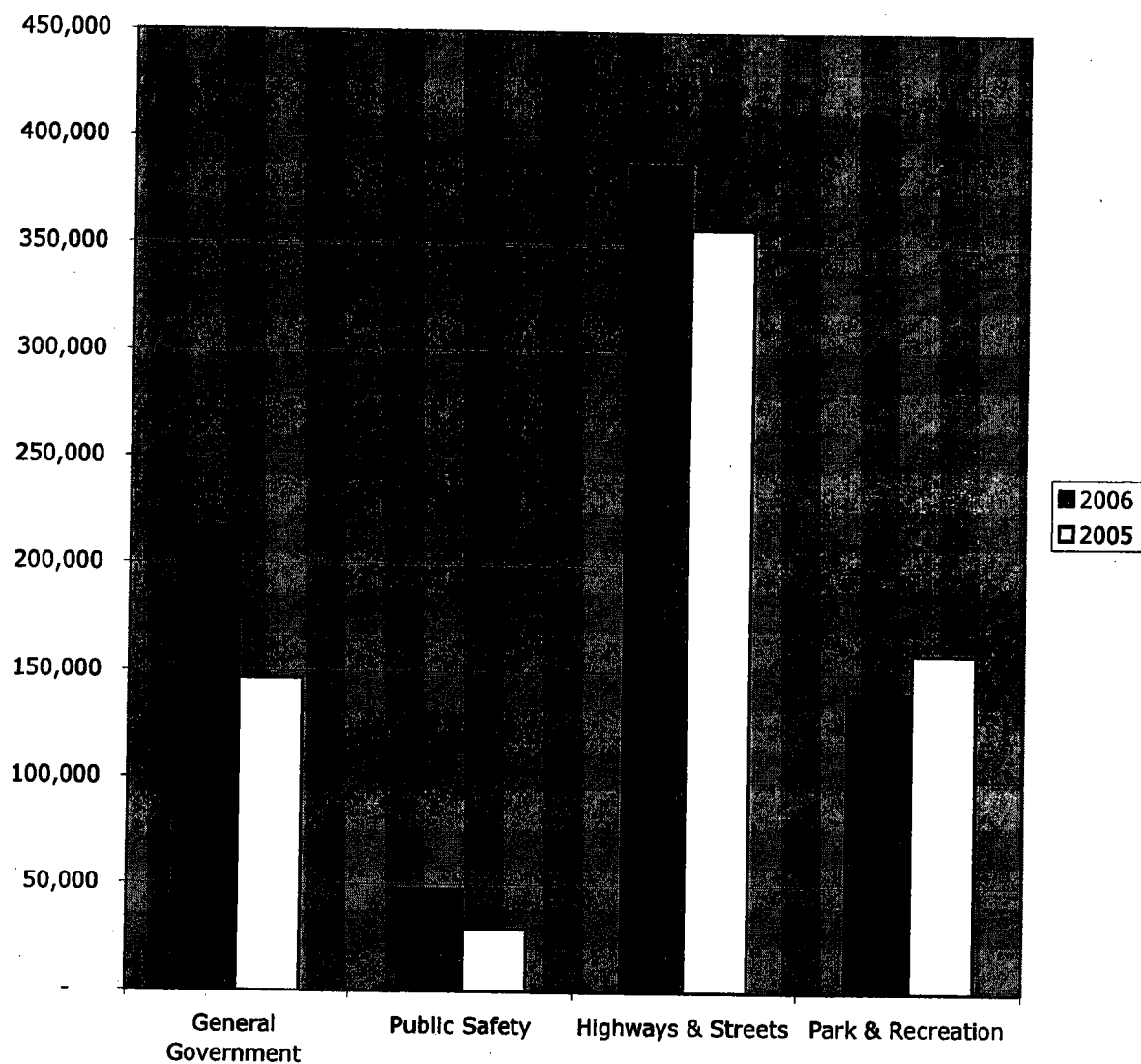
Governmental Revenues



Castle Dale City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

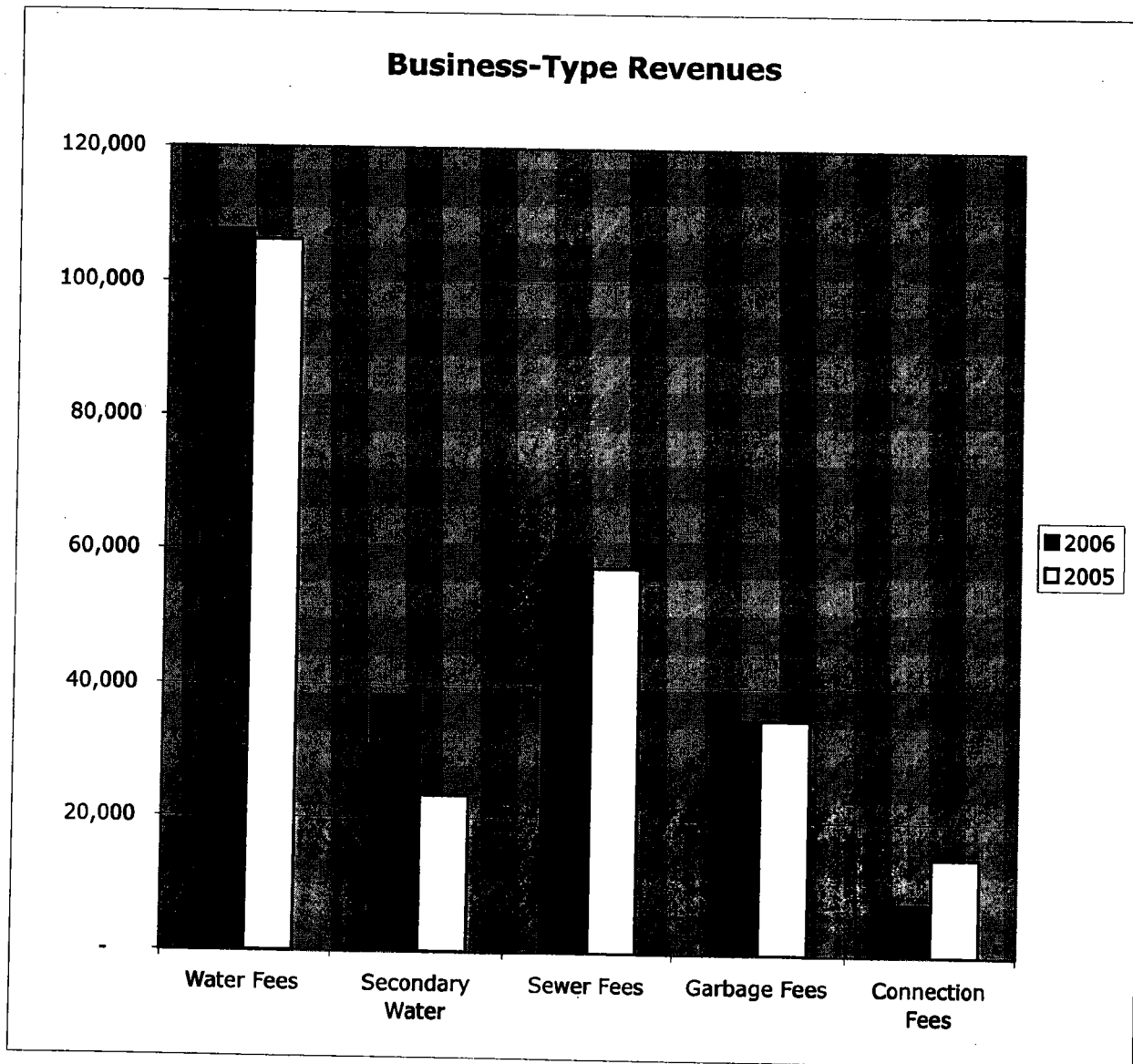
	2006	2005
General Government	217,035	146,829
Public Safety	47,838	29,103
Highways & Streets	387,441	357,593
Park & Recreation	141,407	159,444
Total Expenditures	793,721	692,969

Governmental Expenditures



**Castle Dale City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

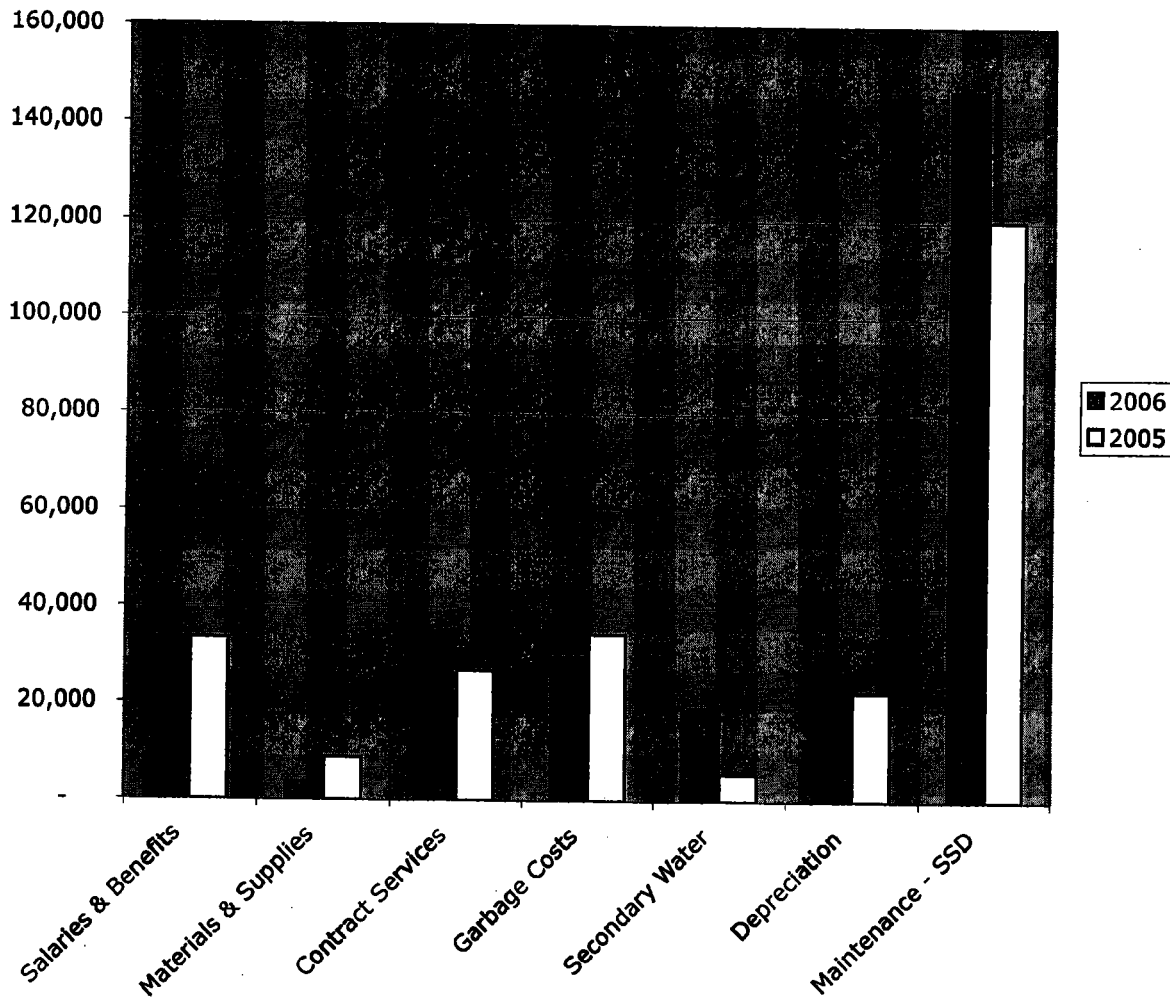
	2006	2005
Water Fees	107,775	106,236
Secondary Water	38,390	23,473
Sewer Fees	59,224	57,624
Garbage Fees	35,136	35,236
Connection Fees	7,900	14,702
Total Revenues	248,425	237,271



Castle Dale City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Benefits	33,563	33,520
Materials & Supplies	3,567	8,850
Contract Services	21,139	26,837
Garbage Costs	29,818	34,524
Secondary Water	18,741	5,586
Depreciation	22,586	22,586
Maintenance - SSD	147,044	120,225
Total Expenditures	276,458	252,128

Business-Type Expenditures



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BASIC FINANCIAL STATEMENTS

**CASTLE DALE CITY
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	443,967	131,156	575,123
Accounts Receivable (Net)	-	47,431	47,431
Due From Other Government Units	15,519	-	15,519
Total Current Assets	<u>459,486</u>	<u>178,587</u>	<u>638,073</u>
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation):			
Land	164,180	-	164,180
Water Shares	-	283,088	283,088
Buildings	131,872	-	131,872
Improvements Other Than Buildings	363,004	-	363,004
Equipment	115,631	-	115,631
Water and Sewer Systems	-	465,671	465,671
Construction In Progress	1,645,434	-	1,645,434
Infrastructure	678,859	-	678,859
Total Noncurrent Assets	<u>3,098,980</u>	<u>748,759</u>	<u>3,847,739</u>
TOTAL ASSETS	<u><u>3,558,466</u></u>	<u><u>927,346</u></u>	<u><u>4,485,812</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	72,937	58,094	131,031
Accrued Liabilities	1,178	-	1,178
Lease Revenue Bonds - Due Within One Year	32,000	-	32,000
Total Current Liabilities	<u>106,115</u>	<u>58,094</u>	<u>164,209</u>
Noncurrent Liabilities:			
Lease Revenue Bonds - Due More Than One Year	662,000	-	662,000
TOTAL LIABILITIES	<u>768,115</u>	<u>58,094</u>	<u>826,209</u>
NET ASSETS			
Investment in Capital Assets, Net of Debt	2,404,980	748,759	3,153,739
Restricted For:			
Perpetual Care	46,348	-	46,348
Class C Road	74,000	-	74,000
Municipal Building Authority	52,672	-	52,672
Unrestricted	212,351	120,493	332,844
TOTAL NET ASSETS	<u>2,790,351</u>	<u>869,252</u>	<u>3,659,603</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,558,466</u></u>	<u><u>927,346</u></u>	<u><u>4,485,812</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs	Net (Expense) Revenues and Changes in Net Assets					
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities
Function/Programs Primary Government:						
Governmental Activities:						
General Government	217,035	38,282	-	-	(178,753)	(178,753)
Public Safety	47,838	-	2,120	-	(45,718)	(45,718)
Streets and Public Improvements	387,441	-	73,521	-	(313,920)	(313,920)
Park and Recreation	141,407	33,994	15,000	355,000	262,587	262,587
Total Governmental Activities	793,721	72,276	90,641	355,000	(275,804)	(275,804)
Business-Type Activities:						
Water and Sewer Funds	276,458	248,425	-	-	-	(28,033)
Total Primary Government	1,070,179	320,701	90,641	355,000	(275,804)	(303,837)
General Revenues:						
Property Taxes					54,129	54,129
Fee-In-Lieu of Property Taxes					22,470	22,470
Sales Taxes					296,986	296,986
Franchise Taxes					9,643	9,643
Other Taxes					73,401	73,401
Unrestricted Investment Earnings					23,107	23,107
Total General Revenues and Transfers					479,736	479,736
Change in Net Assets					203,932	(28,033)
Net Assets - Beginning					2,586,419	897,285
Net Assets - Ending					2,790,351	869,252
						3,659,603

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	General Fund	Municipal Building Authority Fund	Non-Major Perpetual Care Permanent Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	324,916	72,703	46,348	443,967
Due From Other Government Units	15,519	-	-	15,519
TOTAL ASSETS	340,435	72,703	46,348	459,486
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	72,937	-	-	72,937
Accrued Liabilities	1,178	-	-	1,178
Total Liabilities	74,115	-	-	74,115
Fund Balances:				
Reserved For:				
Class C Road	74,000	-	-	74,000
Perpetual Care	-	-	46,348	46,348
Construction	-	52,672	-	52,672
Unreserved	192,320	20,031	-	212,351
Total Fund Balance	266,320	72,703	46,348	385,371
TOTAL LIABILITIES AND FUND BALANCE	340,435	72,703	46,348	459,486

The notes to the financial statements are an integral part of this statement.

CASTLE DALE CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	385,371
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Land	164,180
Buildings	131,872
Improvements Other Than Buildings	363,004
Equipment	115,631
Infrastructure	1,645,434
Construction In Progress	<u>678,859</u>

Total	3,098,980
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

MBA Taxable Lease Revenue Bonds	<u>(694,000)</u>
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Net Assets of Government Activities	<u><u>2,790,351</u></u>
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CASTLE DALE CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Municipal Building Authority Fund</u>	<u>Non-Major Perpetual Care Permanent Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	456,629	-	-	456,629
Licenses and Permits	5,747	-	-	5,747
Intergovernmental Revenue	90,641	355,000	-	445,641
Charges for Services	33,994	18,000	-	51,994
Perpetual Care	-	-	1,085	1,085
Interest	16,004	7,103	-	23,107
Miscellaneous Revenues	13,450	-	-	13,450
Total Revenues	<u>616,465</u>	<u>380,103</u>	<u>1,085</u>	<u>997,653</u>
Expenditures:				
Current:				
General Government	214,460	-	-	214,460
Public Safety	46,083	-	-	46,083
Streets and Public Improvements	137,891	-	-	137,891
Parks and Recreation	112,450	-	-	112,450
Capital Outlay	26,531	657,328	-	683,859
Debt Service:				
Principal	-	18,000	-	18,000
Total Expenditures	<u>537,415</u>	<u>675,328</u>	<u>-</u>	<u>1,212,743</u>
Excess Revenues Over (Under) Expenditures	79,050	(295,225)	1,085	(215,090)
Other Financing Sources (Uses):				
Bond Proceeds	-	355,000	-	355,000
Net Change In Fund Balance	79,050	59,775	1,085	139,910
Fund Balance - Beginning	<u>187,270</u>	<u>12,928</u>	<u>45,263</u>	<u>245,461</u>
Fund Balance - Ending	<u>266,320</u>	<u>72,703</u>	<u>46,348</u>	<u>385,371</u>

The notes to the financial statements are an integral part of this statement.

CASTLE DALE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	(215,090)
---	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	683,859	
Depreciation	<u>(282,836)</u>	
 Total		 401,023

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payment on Debt	<u>18,000</u>
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Changes In Net Assets of Governmental Activities	<u><u>203,933</u></u>
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**CASTLE DALE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	131,156
Accounts Receivable	<u>47,431</u>
Total Current Assets	<u>178,587</u>
Noncurrent Assets:	
Capital Assets: (Net of Accumulated Depreciation)	
Water Stock	283,088
Water and Sewer Systems	<u>465,671</u>
Total Noncurrent Assets	<u>748,759</u>
TOTAL ASSETS	<u><u>927,346</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>58,094</u>
TOTAL LIABILITIES	<u>58,094</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	748,759
Unrestricted	<u>120,493</u>
TOTAL NET ASSETS	<u>869,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>927,346</u></u>

The notes to the financial statements are an integral part of this statement.

CASTLE DALE CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity <u>Enterprise Fund</u> Water and Sewer Fund
Operating Revenues:	
Charges for Sales and Services:	
Water	107,775
Secondary Water	38,390
Sewer	59,224
Garbage	35,136
Water and Sewer Connections	<u>7,900</u>
Total Operating Revenues	<u>248,425</u>
Operating Expenses:	
Salaries and Wages	31,330
Employee Benefits	2,233
Maintenance and Operations	3,197
Contract Services	21,139
Special Service District	147,044
Materials, Supplies and Utilities	370
Garbage Costs	29,818
Secondary Water System	18,741
Depreciation	<u>22,586</u>
Total Operating Expenses	<u>276,458</u>
Change in Net Assets	(28,033)
Total Net Assets - Beginning	<u>897,285</u>
Total Net Assets - Ending	<u><u>869,252</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTLE DALE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity <u>Enterprise Fund</u> Water and Sewer Fund
Cash Flows From Operating Activities:	
Receipts From Customers	249,183
Payments to Suppliers	(197,385)
Payments to Employees	<u>(33,563)</u>
 Net Cash Provided by Operating Activities	 <u>18,235</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 18,235
 Cash and Cash Equivalents - Beginning	 <u>112,921</u>
 Cash and Cash Equivalents - Ending	 <u><u>131,156</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>(28,033)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	22,586
Increase (Decrease) In Operating Assets:	
Accounts Receivable	758
Accounts Payable	<u>22,924</u>
 Total Adjustments	 <u>46,268</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>18,235</u></u>

The notes to the financial statements are an integral part of this statement.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Castle Dale City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Castle Dale City is a municipal corporation in Emery County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Castle Dale City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Castle Dale City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to the City for City purposes.

The Government also reports the following Other Governmental Funds:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Utility Systems	30 - 50 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

G. Property Taxes:

Property taxes are assessed and collected for the City by Emery County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the Town's deposits was \$81,410 and the bank balance was \$111,197. Of the bank balance, \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	81,410
Investments - PTIF	<u>493,713</u>
Total Cash and Investments	<u><u>575,123</u></u>

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	443,967
Business-Type Activities - Unrestricted	<u>131,156</u>
Total Cash and Cash Equivalents	<u><u>575,123</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$11,197 of the local government's bank balances of \$111,197 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$493,713 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 3 - WATER SHARES

The Water and Sewer Fund has a total of 1,582.74 shares of Cottonwood Irrigation primary water and 55 shares of project water shares at a cost of \$283,088. The current value of the water shares is greater than the original cost.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	140,380	-	-	140,380
Land Related to Infrastructure	23,800	-	-	23,800
Construction In Progress	-	678,859	-	678,859
 Total Capital Assets Not Being Depreciated	 164,180	 678,859	 -	 843,039
Capital Assets Being Depreciated:				
Buildings	572,480	-	-	572,480
Improvements Other Than Bldgs	460,430	-	-	460,430
Machinery and Equipment	242,324	5,000	-	247,324
Infrastructure	4,701,239	-	-	4,701,239
 Total Capital Assets Being Depreciated	 5,976,473	 5,000	 -	 5,981,473
Less Accumulated Depreciation For:				
Buildings	427,404	13,204	-	440,608
Improvements Other Than Bldgs	85,706	11,720	-	97,426
Machinery and Equipment	108,843	22,850	-	131,693
Infrastructure	2,820,743	235,062	-	3,055,805
 Total Accumulated Depreciation	 3,442,696	 282,836	 -	 3,725,532
 Total Capital Assets Being Depreciated (Net)	 2,533,777	 (277,836)	 -	 2,255,941
 Governmental Activities Capital Assets, Net	 2,697,957	 401,023	 -	 3,098,980

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Water Stock	<u>283,088</u>	<u>-</u>	<u>-</u>	<u>283,088</u>
Total Capital Assets Not Being Depreciated	<u>283,088</u>	<u>-</u>	<u>-</u>	<u>283,088</u>
Capital Assets Being Depreciated:				
Equipment	<u>26,650</u>	<u>-</u>	<u>-</u>	<u>26,650</u>
Utility Systems	<u>1,070,300</u>	<u>-</u>	<u>-</u>	<u>1,070,300</u>
Total Capital Assets Being Depreciated	<u>1,096,950</u>	<u>-</u>	<u>-</u>	<u>1,096,950</u>
Less Accumulated Depreciation For:				
Equipment	<u>26,650</u>	<u>-</u>	<u>-</u>	<u>26,650</u>
Utility Systems	<u>582,043</u>	<u>22,586</u>	<u>-</u>	<u>604,629</u>
Total Accumulated Depreciation	<u>608,693</u>	<u>22,586</u>	<u>-</u>	<u>631,279</u>
Total Capital Assets Being Depreciated (Net)	<u>488,257</u>	<u>(22,586)</u>	<u>-</u>	<u>465,671</u>
Business Type Activities Capital Assets, Net	<u>771,345</u>	<u>(22,586)</u>	<u>-</u>	<u>748,759</u>
Total Capital Assets	<u>3,469,302</u>	<u>378,437</u>	<u>-</u>	<u>3,847,739</u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	2,574	-	2,574
Public Safety	1,755	-	1,755
Public Health	-	22,586	22,586
Highways and Public Improvements	249,550	-	249,550
Parks and Recreation	<u>28,957</u>	<u>-</u>	<u>28,957</u>
Total Depreciation Expense	<u>282,836</u>	<u>22,586</u>	<u>305,422</u>

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 5 - LONG-TERM DEBT

Municipal Building Authority of Castle Dale City:

On July 8, 1998, the Castle Dale City Council created the Municipal Building Authority of Castle Dale City under section 11-29-3 of the Utah Code Annotated 1953. The purpose of the Building Authority is to finance the acquisition, construction, furnishing, leasing, maintaining, or operating of a maintenance shop, the construction of arena grandstands, restrooms and concession and announcer stands at the Castle Dale rodeo grounds, and related facilities under the City's jurisdiction. The Building Authority has obtained leases with Castle Dale City for the above mentioned facilities. The proceeds of the leases will be used to retire the bonded indebtedness of the Building Authority. The Mayor and Castle Dale City Council are the trustees of the Building Authority.

On October 18, 1998, the Building Authority issued and sold Lease Revenue Bonds to the Community Impact Board of the State of Utah in the amount of \$447,270 to help finance these improvements. The Building Authority has acquired written leases with Castle Dale City to insure the repayment of their bonded indebtedness. The interest rate on the bonds is 0%.

On November 10, 2005, these Lease Revenue Bonds were refunded and Series 2005A Taxable Lease Revenue Refunding Bonds of \$357,000 and Series 2005B Taxable Lease Revenue Bonds of \$355,000 were issued both with interest at 0%. The proceeds of the Series 2005B are being used to construct an Equestrian Center. Both Series have been purchased by the State of Utah Permanent Community Impact Board (CIB).

The terms of the principal repayment are as follows:

	Series 2005A Principal	Series 2005B Interest	Total
2007	18,000	14,000	32,000
2008	18,000	14,000	32,000
2009	18,000	14,000	32,000
2010	18,000	14,000	32,000
2011	18,000	14,000	32,000
2012-2016	90,000	70,000	160,000
2017-2021	90,000	70,000	160,000
2022-2026	69,000	70,000	139,000
2027-2031	-	75,000	75,000
Total	<u>339,000</u>	<u>355,000</u>	<u>694,000</u>

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Lease Revenue Bonds							
Permanent Community Impact Board	1998	0%	447,270	357,000	-	357,000	-
Taxable Lease Revenue Refunding Bonds - Series 2005A							
Permanent Community Impact Board	2006	0%	357,000	-	357,000	18,000	339,000
Taxable Lease Revenue Refunding Bonds - Series 2005B							
Permanent Community Impact Board	2006	0%	355,000	-	355,000	-	355,000
Total			<u>1,159,270</u>	<u>357,000</u>	<u>712,000</u>	<u>375,000</u>	<u>694,000</u>

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Reserves:

Beginning June 15, 2007, and continuing each year for six years a deposit of \$2,500 is to be deposited as a reserve fund deposit. The reserve will total \$15,000 at June 15, 2012. The balance at June 30, 2006 is \$0.

The Additional Rental (Reserve Fund Deposit) - Series 2005B are as follows:

	<u>Reserve</u>
June 15	
2007	2,500
2008	2,500
2009	2,500
2010	2,500
2011	2,500
2012	<u>2,500</u>
 Total	 <u><u>15,000</u></u>

NOTE 6 - MUNICIPAL BUILDING AUTHORITY

The following is a statement of revenues and expenditures in the Municipal Building Authority:

Fund Balance - Beginning of Year	12,928
Revenues:	
Lease Revenue	18,000
Lease Revenue Bond Proceeds	355,000
Lease Revenue Bond Proceeds	357,000
Interest Earned	<u>7,103</u>
 Total Revenues	 737,103
Expenditures:	
Construction In Progress	(657,328)
Bond Issue Costs	(2,000)
Debt Service - Principal	<u>(18,000)</u>
 Total Expenditures	 <u>(677,328)</u>
 Fund Balance - End of Year	 <u><u>72,703</u></u>

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 7 - PERPETUAL CARE

The following schedule is a statement of revenues, expenditures and changes in fund balances:

Fund Balance - Beginning of Year	45,263
Receipts:	
Sale of Cemetery Perpetual Care Certificates	1,085
Expenditures	<u>-</u>
Fund Balance - End of Year	<u>46,348</u>

NOTE 8 - CLASS "C" ROAD

The following schedule is a statement of revenues, expenditures in the Class "C" Roads:

Fund Balance - Beginning of Year	43,000
Revenues:	
State of Utah Allotments	73,521
Interest	<u>2,130</u>
Total Revenues	75,651
Expenditures:	
Class "C" Road Projects	<u>(44,651)</u>
Fund Balance - End of Year	<u>74,000</u>

NOTE 9 - RISK MANAGEMENT

Castle Dale City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries and disasters. The City is insured through the Utah Local Government Trust for general liability coverage. The limits of coverage are \$5,000,000 with a \$250 deductible for each occurrence for both comprehensive general liability and automobile liability. Uninsured motorist has a \$50,000 limit per each accident.

The City is also insured through a commercial insurance carrier for property coverage. This policy provides All Risk coverage with a \$1,000 deductible for buildings, contents, and equipment.

Worker's compensation coverage is with the State of Utah.

Claims have not exceeded coverage in any of the last three calendar years.

CASTLE DALE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 10 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Castle Dale City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Castle Dale City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Castle Dale City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$8,247.38, \$7,592.14 and \$6,958.26. The contributions were equal to the required contributions for each year.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**CASTLE DALE CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations:

For the year ended June 30, 2006, spending for all funds and departments of the City was within the approved budgets.

**CASTLE DALE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	55,123	55,128	51,505	(3,623)
Delinquent Prior Years Taxes	3,000	2,500	2,624	124
General Sales and Use Taxes	239,000	210,000	296,986	86,986
Franchise Taxes	14,500	9,285	9,643	358
Fee-In-Lieu	18,500	21,000	22,470	1,470
Energy Tax	31,000	27,850	41,734	13,884
Telecommunications Tax	17,000	-	31,667	31,667
Total Taxes	378,123	325,763	456,629	130,866
Licenses and Permits:				
Business Licenses	3,000	4,000	3,837	(163)
Building Permits	-	726	394	(332)
Animal Licenses	1,400	1,500	1,516	16
Total Licenses and Permits	4,400	6,226	5,747	(479)
Intergovernmental Revenue:				
Class C Road	70,000	81,467	73,521	(7,946)
State Grants	3,000	100,000	-	(100,000)
State Liquor Allotment	1,500	1,569	2,120	551
Contributions from County	15,000	15,000	15,000	-
Total Intergovernmental Revenue	89,500	198,036	90,641	(107,395)
Charges for Services:				
Cemetery and Parks	5,000	4,000	4,060	60
Swimming Pool	28,000	30,000	29,934	(66)
Total Charges for Services	33,000	34,000	33,994	(6)

**CASTLE DALE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued):				
Miscellaneous Revenue:				
Interest	4,000	3,000	16,004	13,004
Miscellaneous	2,000	6,824	13,450	6,626
Use of Fund Balance	115,000	52,174	-	(52,174)
Total Miscellaneous Revenue	121,000	61,998	29,454	(32,544)
Total Revenues	626,023	626,023	616,465	(9,558)
Expenditures:				
General Government:				
Mayor and Council	28,000	32,000	31,786	214
Treasurer	13,600	14,800	14,715	85
Recorder	5,500	5,500	5,020	480
Non-Departmental	136,923	193,423	150,228	43,195
Building and Grounds	28,500	8,000	7,912	88
Planning and Zoning	5,500	5,000	4,799	201
Total General Government	218,023	258,723	214,460	44,263
Public Safety:				
Police Department	1,500	1,800	1,760	40
Fire Department	35,000	34,000	33,148	852
Animal Control	6,000	12,000	11,175	825
Total Public Safety	42,500	47,800	46,083	1,717
Streets and Public Improvements:				
Streets	3,000	14,500	14,028	472
Class C Road	110,000	45,000	44,651	349
Curb, Gutter and Sidewalks	20,000	9,000	8,697	303
General Maintenance	58,500	71,000	70,515	485
Total Highways and Public Improvements	191,500	139,500	137,891	1,609

**CASTLE DALE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures (Continued):				
Parks and Recreation:				
Parks	31,000	11,000	10,649	351
Ball Parks	8,000	6,000	5,838	162
Swimming Pool	70,000	62,000	61,433	567
Cemetery	11,000	12,000	11,098	902
Rodeo Grounds	20,000	32,000	31,963	37
Lease Payment	-	23,000	18,000	5,000
Total Parks and Recreation	<u>140,000</u>	<u>146,000</u>	<u>138,981</u>	<u>7,019</u>
Transfers and Other Uses:				
Transfers Out	<u>34,000</u>	<u>34,000</u>	-	<u>34,000</u>
Total Expenditures	<u>626,023</u>	<u>626,023</u>	<u>537,415</u>	<u>88,608</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	79,050	<u>79,050</u>
Fund Balance - Beginning			<u>187,270</u>	
Fund Balance - Ending			<u>266,320</u>	

**CASTLE DALE CITY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Capital Grants	-	355,000	355,000	-
Interest	153	8,000	7,103	(897)
Lease Revenue	21,000	18,000	18,000	-
Bond Proceeds	-	355,000	355,000	-
Use of Fund Balance	13,045	-	-	-
	<u>34,198</u>	<u>736,000</u>	<u>735,103</u>	<u>(897)</u>
Total Revenues				
	<u>34,198</u>	<u>736,000</u>	<u>735,103</u>	<u>(897)</u>
Expenditures:				
Capital Outlay	16,198	718,000	657,328	60,672
Debt Service	18,000	18,000	18,000	-
	<u>34,198</u>	<u>736,000</u>	<u>675,328</u>	<u>60,672</u>
Total Expenditures				
	<u>34,198</u>	<u>736,000</u>	<u>675,328</u>	<u>60,672</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	59,775	<u>59,775</u>
Fund Balance - Beginning			<u>12,928</u>	
Fund Balance - Ending			<u>72,703</u>	

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Castle Dale City
Castle Dale, Utah 84513

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Castle Dale City as and for the year ended June 30, 2006, which collectively comprise Castle Dale City's basic financial statements and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Castle Dale City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

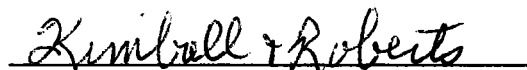
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castle Dale City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Castle Dale City in a separate letter dated December 12, 2006.

Honorable Mayor and City Council
Castle Dale City
Page -2-

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 12, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Castle Dale City
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Castle Dale City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 12, 2006. As part of our audit, we have audited Castle Dale City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Castle Dale City's financial statements.)

CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

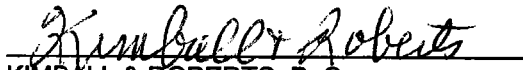
The management of Castle Dale City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council
Castle Dale City
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Castle Dale City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 12, 2006
Richfield, Utah

CASTLE DALE CITY
MANAGEMENT LETTER
JUNE 30, 2006

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and City Council
Castle Dale City
Castle Dale, Utah 84513

During our audit of the funds of Castle Dale City for the fiscal year ended June 30, 2006, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. This item is discussed below for your consideration.

COMPLIANCE:

Fund Balance

The maximum unreserved fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund.

Finding:

During our audit we noted that the City has excess fund balance. The total estimated revenue for the general fund is \$626,023. Eighteen percent of this amount would be \$112,684 and the present unreserved fund balance is \$192,320.

Recommendation:

We recommend that the City reduce its unreserved fund balance to comply with the requirements of State Law. This may be accomplished by either budgeting and expending the excess or transferring the excess to a capital project fund for planned capital projects.

Response:

We have discussed this finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Castle Dale City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted, -


KIMBALL & ROBERTS
Certified Public Accountants

December 12, 2006
Richfield, Utah